NOMINATION—DEPARTMENT OF COMMERCE

HEARING

BEFORE THE

SUBCOMMITTEE ON BUSINESS, TRADE, AND TOURISM

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

ON

NOMINATION OF

PETER McCOY, TO BE UNDER SECRETARY OF COMMERCE FOR TRAVEL AND TOURISM

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NOMINATION—DEPARTMENT OF COMMERCE

FRIDAY, DECEMBER 11, 1981

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON BUSINESS, TRADE, AND TOURISM,
Washington, D.C.

The subcommittee met at 2:50 p.m. in room 235 of the Russell Senate Office Building; Hon. Daniel K. Inouye, presiding.

Senator INOUYE. The meeting will please come to order.

This afternoon we gather to consider the nomination of Mr. Peter McCoy as Under Secretary of Commerce for Travel and Tourism.

We have with us the most distinguished Senator from Nevada, Mr. Paul Laxalt, and I believe Mr. Laxalt will have a few words to say about the nominee.

STATEMENT OF HON. PAUL LAXALT, U.S. SENATOR FROM NEVADA

Senator LAXALT. I thank the chairman.

It's indeed a pleasure and certainly a distinct honor for me to be able to introduce to you Mr. Peter McCoy, whom as you know has been nominated by the President to be Under Secretary of Commerce for Travel and Tourism. We also have here in the hearing room his wife, Casey, and his two children.

In this new position, Mr. McCoy will have a primary mission of promoting overseas travel to the United States. This is an important responsibility and will require a talented administrator, and I rather suspect in the whole of the Senate there aren't two people who appreciate the importance of this position or the importance of one well qualified to handle it than the distinguished chairman and myself, because we each come from strongly tourism oriented States. We recognize clearly the value of a well-conducted tourism program. And I know I speak for the chairman as well as myself when we recognize, in connection with promoting overseas travel, more often than not, that part of the program is limited for various reasons. And I rather think that in this nominee, Peter McCoy, we have a man who is going to provide the expertise, and I'm confident will develop a viable marketing plan to develop increased tourism to the United States.

By way of brief background, since January 1981, as most everyone knows, Mr. McCoy has served as Deputy Assistant to the President and Staff Director for the First Lady. What may be Nancy Reagan's loss, I'm sure is going to be tourism's gain.

During the 1980 presidential campaign, he served as Mrs. Reagan's staff director—that's where I came to know him very well,

accompanied her on all campaign trips and supervised the operation of her staff.

Previously, since 1972, Mr. McCoy was president of Sotheby Parke Bernet in Los Angeles, Calif. He's a former management consultant. He also spent 8 years with the William Morris Theatrical Agency. Mr. McCoy served as president of the Southern California Auctioneers Association and has lectured on art at auctions around the country, including participation of the faculty members at practicing art institute series workshops on the arts.

As I stated, this proven administrative ability will be most beneficial in the Under Secretary's position, and I must say, as a practical matter, his coming from the White House, his strong connections with this administration going right to the top, can't help but serve the program well.

So, Mr. Chairman, and members of the committee, I respectfully urge positive consideration for Peter McCoy as Under Secretary of Commerce for Travel and Tourism.

Thank you very much.

OPENING STATEMENT BY SENATOR INOUYE

Senator INOUYE. Thank you very much, Senator Laxalt.

I have a statement that I've worked on. Without objection, I will make this part of the record.

Prior to 1961, there was no Federal effort to assist the travel industry in promoting the United States as an international travel destination. In that year Congress enacted the International Travel Act which created the U.S. Travel Service, and provided for an Executive Director to head the agency. The chronic deficits in the travel account of the U.S. balance of payments was the primary reason for this legislation which was intended to increase the flow of foreign visitors.

In recognition of international tourism's growing economic importance, 9 years later Congress enacted major amendments to the International Travel Act. Those amendments increased the role of the U.S. Travel Service, and upgraded its head to an Assistant Secretary of Commerce for Tourism.

That law also established an independent study group—the National Tourism Resources Review Commission—to make recommendations for coordinating the Federal Government's tourism efforts, and making them generally more effective.

After 2 years of study that Commission recommended, among other things, that a National Tourism Administration be created in the Department of Commerce, and that it be headed by an Under Secretary of Commerce for Tourism. The Commission also recommended that further study and refinement of the Federal role be undertaken.

In 1973, I introduced legislation (S. 2536) which I said at the time was "to serve as a catalyst to generate constructive suggestions from all sectors of the travel industry and from the many agencies which share responsibility for the tourism programs of the Federal Government." S. 2536 would have created a National Tourism Administration, with an Under Secretary of Commerce to head it.

At the committee's hearings on S. 2536, the travel industry recommended that the Senate Commerce Committee undertake the

further study which had been recommended by the national Tourism Resources Review Commission. Shortly thereafter, the committee began its National Tourism Policy Study, which culminated this year in enactment of legislation creating a Travel and Tourism Administration to be headed by an Under Secretary of Commerce for Tourism—the position for which Mr. McCoy has been nominated.

Although our task is by no means over, I believe that everyone should recognize that the National Tourism Policy Act is a major attempt by the Federal Government to supplement the efforts of an industry which is predicted by many to be the world's largest by the end of this century.

Mr. McCoy and the agency he will head have therefore a unique opportunity and a heavy responsibility—to assure that the United States competes effectively with the over 126 countries which have national tourist offices throughout the world to promote tourism to their respective countries.

I spent some time trying to gather words to say a few nice things about this nominee. As Senator Laxalt has indicated, I've been involved in tourism on this committee for nearly 20 years, so I've seen Directors come and go, I've seen Assistant Secretaries come and go, in both Republican and Democratic administrations.

Without question, I think this is the strongest Director that has been nominated over these years.

I received a letter from the president of the American Bus Association, Arthur D. Lewis, and I thought his words were most appropriate. I think in many ways these words will describe the sentiment of the tourism industry and more particularly my thoughts. So if I may, I'd like to read this for the record.

It's addressed to the Honorable Robert Packwood, chairman of the full committee.

Dear Mr. Chairman: The American Bus Association strongly supports the appointment of Peter McCoy as Under Secretary of Commerce for Travel and Tourism. We believe that his strong interest in the industry, coupled with his dynamic personality and his reputation for being a hard worker indicates that he will make an outstanding administrator of the recently enacted National Tourism Policy Act of 1981.

The travel and tourism industry is comprised of thousands of diverse organizations and is highly fractured, containing many organizations with potentially conflicting interests. As a result, it is absolutely essential that a person with his broad business experience and strong leadership ability be the senior government official coordinating government programs affecting this industry.

Mr. McCoy will also bring to this position high level Administration support which this industry needs badly.

Sincerely, Arthur Lewis.

These are my words also, Mr. McCoy.

I would see no problem on your confirmation. If it were up to Senator Exon and I, you'd be sworn in in the next 5 minutes.

Mr. Exon.

OPENING STATEMENT BY SENATOR EXON

Senator EXON. After several years of extensive hearings and difficult negotiations, including one Presidential veto. the Congress has succeeded in enacting into law the National Tourism Policy Act.

That act establishes a Travel and Tourism Administration, to be headed by an Under Secretary of Commerce for Tourism. I believe the following statistics from the U.S. Travel Data Center emphasize why Congress believes this agency is so important to the national interest.

According to the Travel Data Center, travel in the United States represents:

About 930 million person trips taken by Americans traveling 100 miles or more away from home during 1980.

The third largest retail industry in the United States.

One of the top three employers in 38 States.

The sum of $160 billion in domestic and international spending, some 6 percent of the gross national product.

The employment of 45 million Americans at every level of skill and indirect production of another 2.2 million supporting jobs.

Thirty-five billion dollars a year in wages and salaries and $14 billion a year in Federal, States, and local tax income.

Large numbers of entry-level employment positions and a preeminence in the employment of women, young people, and members of minority groups.

A highly diversified industry with 1 million component companies ranging from small travel agencies to large airlines and hotel chains, with 99 percent of these companies classified as small business.

Clearly, a successful tourism industry is a prescription for the economic health of America, and I would hope the new Under Secretary and the agency he heads will do their part to write that prescription.

Thank you, Senator. Let's proceed with the hearing.

I apologize for being a little late, Mr. McCoy, and I understand our chairman has been held up.

Let's just proceed now with your opening statement and anything you'd care to say. I understand you've not had an opportunity to do that yet; is that correct?

Mr. McCoy. That is correct.

Senator Exon. Let's proceed with you at this time.

STATEMENT OF PETER McCOY, NOMINEE FOR THE POSITION OF UNDER SECRETARY OF COMMERCE FOR TRAVEL AND TOURISM

Mr. McCoy. First of all, I'd like to thank Senator Laxalt for his kind words, and if I may, Senator and distinguished members of the committee, I'm pleased and honored to be here today. And with your kind permission, I would like to submit my remarks for the record.

Senator Exon. Without objection, so ordered.

I would certainly say to you that I join in the opening remarks of my colleague from Hawaii.

If we could induce Paul Laxalt to support you, I think we may have a good chance to put you through the U.S. Senate rather early.

Mr. McCoy. Thank you, sir.

Senator Exon. We welcome you here, Senator Laxalt, if you haven't been officially welcomed.

Go ahead, Mr. McCoy.

Mr. McCoy. Accompanying my statement that is submitted for the record, I'd like to say that Secretary Baldrige on several occasions has also expressed his support for a viable tourism program, as stated upon the signing of the act creating my job, that it really was the major piece of tourism legislation enacted in the last 20 years.

If I am confirmed, I want you to know that my goal will be to carry out the intentions of the National Tourism Policy Act and the International Travel Act in concert with the President's economic program.

In closing, I just want again to assure you that I see a very important role for the Federal Government to play in tourism and the national tourism policy and feel that I will be able to achieve the goals designed in that policy.

Senator Exon. Thank you, Mr. McCoy?

Do you have further questions, Senator Inouye?

Senator Inouye. Mr. Chairman, I have a few questions I'd like to submit for the record.

Senator Exon. If you'll submit them for the record. The questions by Senator Inouye have been accepted for the record. You will be advised of those, and we would ask that you reply as promptly as possible.

[The biographical sketch and answers to questions of the committee follow:]

BIOGRAPHICAL SKETCH OF PETER MCCOY

Address: 5161 Palisade Lane, N.W., Washington, D.C. 20016.

Date and place of birth: October 25, 1941, Los Angeles, California.

Marital status: Married, Kathleen Doheny McCoy.

Names and ages of children: Patrick, age 10, Shane, age 9.

Education: Beverly Hills High School, 1956-1960. High School Diploma—1960.

Employment record: 1981—present. The White House, Deputy Assistant to the President and Chief of Staff to the First Lady, 1600 Pennsylvania Avenue, N.W., Washington, D.C. 20500. 1972-1980. Sotheby Parke Bernet, President, 7660 Beverly Boulevard, Los Angeles, California 90036. 1967-1970. Computicket Corporation, Sales, Sepulveda and 96th, Westchester, California. 1961-1967. William Morris Agency, Agent, 151 El Camino, Beverly Hills, California 90212.

Government experience: 1981—present. The White House. 1962-1968. United States Army.

Memberships: President, Southern California Auctioneers' Association. Member, Appraisers Association of America.

Political affiliations and activities: Republican National Committee.

Honors and awards: None.

Published writings: None.

QUESTIONS OF THE COMMITTEE AND THE ANSWERS THERETO

Question. Under the new law, within 6 weeks of the President's budget transmittal to Congress, your agency must submit a detailed tourism marketing plan for the fiscal year, including "alternate means of funding" for that marketing plan as well as the other activities the agency is directed to engage in.

Before you make a final decision on what "alternate means of funding" you intend to recommend, will you consult with the various segments of the industry; and give them a sufficient opportunity to make comments on recommendations before the agency has made up its mind?

Answer. Mr. Bush has already begun consultations with the industry, and a number of trade associations—and one private sector company—have volunteered to underwrite the cost of printing promotional materials which will be distributed abroad. I would like to say that, although we will consult extensively with the

industry, it isn't always possible to be in touch with everyone who would like to be consulted, and I think that this fact has caused USTS to be the object of unfair criticism in the past. For the record: after USTS headquarters staff was reduced by 66 percent in 1979, there was only one individual left in Washington who was responsible for "travel trade relations" per se. The travel industry comprises more than 1 million business in more than 30 different SIC code categories, and that individual, obviously, can solicit the views of only a small portion of them.

Question. The Travel and Tourism Administration has the responsibility to help the travel industry promote travel to the United States.

How attractive the United States is to potential visitors is to a large extent determined by the policies and programs of other federal agencies such as the transportation agencies; the State Department; the Immigration Service; the Department of Energy, etc.

Over the years USTS has not been notably active in being a tourism spokesman before other federal agencies when they are considering things like the "three martini lunch", week-end closings, etc.

Now I realize the new law gives the interagency coordinating council some responsibility in this area, but that council will only meet four times year. If the Travel and Tourism Administration is to help market the U.S., it seems to me the agency should make its views known when other agencies are considering programs which affect the tourism administration's ability to market the U.S.

Do you have any views on this?

Answer. I feel very strongly that a major part of our responsibility is to represent the national tourism interest, and that, obviously, involves providing comments—and testimony—on proposed legislation and/or regulations. Recently, Assistant Secretary Bush testified on H.R. 4514 before your Committee, and formal comments on that bill have also been provided to the two Judiciary Committees. We will continue to make our views known on matters which are of vital importance to the industry. However, I would like to be very candid with the Committee: the National Tourism Policy Act, in effect, imposes certain constraints upon the size of the headquarters staff. We have only one staff person who is responsible for preparing testimony and comments, and this individual performs many other duties and lacks a fulltime secretary. This means we must be selective about the issues which we take on. Since our primary responsibility is to increase U.S. receipts from international tourism, we should concentrate on those policy issues whose resolution will make a major impact on tourism from abroad.

Question. One of the functions of the Travel and Tourism Adminstration is to "assure coordination within the Department of Commerce, so that all the resources of the Department are used effectively and efficiently to carry out the National Tourism Policy" which has been enacted into law.

Although there are several agencies within the Department which have tourism related responsibilities, we have found over the years that some of them have a poor perception of their responsibility, and indeed there often is little or no coordination of their policies and programs.

I would not expect you to tell us this afternoon how you intend to implement your new statutory responsibility to correct this situation, but I would hope that within the next three months you could submit to the committee a specific plan to implement it?

Answer. I would, of course, like to devote some more thought to this important matter of coordination. There is always room for improvement where coordination is involved. However, I would like to say at this time that there is close coordination between the U.S. Travel and Tourism Administration and a number of units within Commerce—such as the International Trade Administration's Foregn Commercial Service, Office of International Services and country desks. We are working with the Bureau of Economic Analysis—and the international airlines serving the U.S.—to improve the reliability of foreign visitor expenditure data. Furthermore, we have held discussions with the National Oceanic and Atmospheric Administration about cooperative efforts in the area of sport fishing-related tourism.

The formation of the Tourism Policy Council offers additional opportunities for formal, institutional coordination with other Commerce agencies and I will discuss these with the Secretary. For example, if a Facilitation Committee were to be established within the Council, at the staff level, the Director of the Office of International Services should obviously be represented. Finally, let me say that, although tourism—and services in general—may have been treated as Departmental stepchildren in the past, this is no longer the case. There is a very definite appreciation within the Department of the fact that services are contributing an increasing portion of this country's export earnings and that the Federal Govern-

ment has a responsibility to facilitate the international sale of services provided by U.S. companies.

Question. The National Tourism Policy Act specifically states that it is the policy of the United States to harmonize all federal activities in support of tourism and recreation with the needs of the general public and the states, territories, local governments, and the tourism and recreation industry.

To assure the inter-agency coordination, etc., envisioned by this provision the act creates an interagency policy council, which in turn must report annually to the President and the Congress.

The Undersecretary for Tourism is the Vice-Chairman of this council, and serves as Chairman in the absence of the Secretary of Commerce.

The council must have its first meeting no later than 90 days after enactment of the National Tourism Policy Act.

Since that laws was enacted on October 16, the first meeting must be held about the middle of January. Are you aware of any preparations within the Department of Commerce for the first meeting? If confirmed before we adjourn this session, would you give the committee a written progress report by January 8, 1982?

Answer. Invitations to the first meeting of the Council have been sent out by the Secretary of Commerce to the individuals (cabinet officers) specified in the National Tourism Policy Act, adn we are in the process of drawing up an agenda. We have received two responses. In addition, a cabinet officer not specifically designated by the Act as a member of the Council has requested that he be permitted to serve on it. Rather than providing the Committee a "progress report", I would simply like to advise the Committee of the arrangements which have been made for the meeting as they should be finalized by January 8th.

Question. As the Undersecretary for Tourism you will, of course, be expected to represent the government at various meetings throughout the United States and abroad. You will therefore have a pretty heavy travel schedule, and that is part of the job.

I understand you will have a Deputy Undersecretary and an Assistant Secretary.

My question is: When you are out of Washington who will be "in charge of the store", the Deputy Undersecretary or the Assistant Secretary?

I ask this, because over the years it has sometimes been difficult to locate the person in charge at USTS when the agency head was out of Washington.

Answer. Depending on the schedules and workloads of the individuals involved, the Under Secretary has the discretion to designate as "acting" whichever one is best able, under the circumstances, to assume the responsibility of directing the work of the agency. An important part of the job of the Assistant Secretary for Marketing is to meet with groups outside of Washington to discuss their tourism requirements and the agency's marketing plans. I would not want to curtail his ability to do this by subordinating his schedule to mine. I would like to feel free, when circumstances warrant, to designate the Deputy Under Secretary or the Assistant Secretary for Marketing as "acting".

Question. The National Tourism Policy Act establishes a national tourism policy which, among other objectives, seeks to eliminate unnecessary barriers to the United States tourism industry operating throughout the world.

During hearings on S. 1233, the Service Industries Development Act, we heard about practices which discriminate against certain industries within the service sector. For example, American Computer System or reservations could not be made on American Airlines in certain parts of France. Some countries also will inhibit transfer of data on credit or corporate information out of a country.

Please advise the committee later in writing how the National Travel and Tourism Administration plans to deal with such barriers, including monitoring and resolving complaints.

Many of these potential tourism-service sectors will be handled by other agencies, that is, USTR or State. Is it your intention to have the National Travel and Tourism Administration participate in such intragency discussions pursuant to the authority granted in this Act?

Answer. The U.S. Travel and Tourism Administration is already participating in intra-and-interagency discussions and efforts to reduce U.S. travel industry trade barriers. We have had a number of discussions with—and have provided information on discriminatory foreign exchange restrictions to—the Special Trade Representative. We have also provided similar information to—and are working with—the International Trade Administration's Office of International Services to bring impediments to the international sale of tourism services to the attention of the Tourism Committee of the Organization for Economic Cooperation and Development (OECD) in Paris. Private sector firms and associations were surveyed by the Office of International Services in order to identify those impediments which the industry

considers to be of most importance. The resulting information has already been supplied to the OECD secretariat. We will continue to work with—and through—other agencies to reduce trade-type barriers. We will also be working with the World Tourism Organization in Madrid to reduce impediments to tourism. The U.S. chairs the Facilitation Committee of WTO and will have an important role in defining that Committee's future program of work. I should stress, however, that the elimination of barriers to commerce in services is a complicated undertaking. Results will not be produced overnight.

Question. The Travel and Tourism Administration is directed to:

Develop and administer a comprehensive program relating to travel industry information, data service, training and education, and technical assistance.

Develop a program to seek and to receive information on a continuing basis from the tourism industry, including consumer and travel trade association, regarding needs and interests which should be met by a federal agency or program and to direct that information to the appropriate agency or program.

The industry Travel and Tourism Advisory Board is directed to advise the Travel and Tourism Administration with respect to the implementation of these provisions.

Over the years many instances have come to the committee's attention where USTS made decisions affecting the travel industry without seeking the advice or consulting with the industry.

The provisions in the new law are intended to remedy this situation.

Within the next three months would you submit to the committee your specific plan for implementing these two provisions, including an account of the extent to which your agency consulted with the industry?

Answer. As I have already stated, the industry will be consulted on a regular basis. Before I begin to develop a plan for implementing the two provisions you cite, the Department would like to have the benefit of the advice of the Travel and Tourism Advisory Board (TAB). The Secretary is screening potential candidates for the Board. Some of these candidates will have to be contacted to determine their willingness to serve, and security checks will need to be performed. The Department has no control over the security investigation process, and I cannot guarantee that it will be completed within three months. I would certainly hope that it would be; however, I would not want to jeopardize my credibility by promising that it will be or that I can submit an implementation plan within three months. I will share with the Committee our plans for implementing the Act, but after the Secretary has had an opportunity to meet with the TAB. With respect to the instances you mention, in which USTS allegedly made decisions without consulting with the industry, I would be appreciative if the Committee would inform me of the nature of the decisions. It is unfortunate if the industry feels that it was omitted from the decision-making process. On the other hand, I am sure that the Committee realizes that the travel industry is a highly diverse and fragmented sector comprising close to 1 million establishments. Although we will consult with industry leaders, we can guarantee neither unanimity of opinion nor that the advice of all elements of the industry can always be accepted. Often, the best that can be achieved is consensus.

Question. The National Tourism Policy Act would also promote the "continued development and availability of alternative personal payment mechanisms which facilitate national and international travel". It was the intention of the committee to ensure the continued availability of credit cards and travelers checks to American and foreign travelers. There have, in fact, been attempts within Europe to control use of American credit cards as well as to gain a larger share of the travelers check market. Would the National Travel and Tourism Administration, pursuant to this section, support American industries companies which might be attacked by foreign interests seeking unfairly to gain commercial advantages in the travel market through the erection of financial payment barriers?

Answer. The U.S. Travel and Tourism Administration, through flyers distributed in U.S. embassy visa sections abroad, encourages all foreign visitors to the United States to purchase dollar-denominated travelers' checks before leaving home. The agency would certainly support U.S. companies which are made the object of unfair financial payment barriers. However, I do not believe that the U.S. Travel and Tourism Administration should be the "lead agency" in addressing this problem. At least one of the U.S. companies involved has already taken its case to the Special Trade Representative, and I believe that this was an appropriate and sound course of action.

Senator EXON. Anything else?

Senator INOUYE. I move that his nomination be approved.

Senator EXON. I second the nomination. We withhold further action on that until the chairman arrives. I'm sure that he would like to be here for that.

Senator LAXALT. I might say, Senator Exon, I talked with the chairman a few moments ago, and he's involved, as we all know, in the FTC problem on the floor and was unavoidably detained and asked to express his regrets to the nominee and his family, but did indicate that he'd be over momentarily.

Senator EXON. All right, I have a few things I'd like to talk to him about, so we'll proceed with them.

Mr. McCoy, you made reference to an act which we think is tremendously important, the National Tourism Policy Act. Maybe this will be a chance for the Federal Government finally to get its act together in one place, at one time, and in cooperation with all of the other entities of private business and the Government that are involved in tourism.

I'm sure that you know that all of the States, most of the States, have rather extensive tourism programs and policies. The one carried on by the State of Hawaii is one of the most exemplary.

Would you care to elaborate a little bit on how you intend to use the act to further and better coordinate and improve the tourism industry which is so critically important to the United States as a whole and many of the States individually?

Mr. MCCOY. Well, at this time, I have some thoughts and concepts but really haven't projected them far enough ahead to have them become part of the record at this point.

I think there are a number of things that can be done in the private sector to encourage and to promote tourism to various States and locations. I think there are a number, as you mentioned, of governmental agencies that can also help us and perhaps haven't been tapped fully.

In the conversations I've had with some of my associates in Government, they have expressed a desire to cooperate and to help us promote tourism within the States.

Senator EXON. Have you done any studies yet on the effect of airline deregulation on the overall tourism industry?

Mr. MCCOY. No, sir, not at this time. I must say in all candor, I looked at stacks of briefing materials, and it's an area that appears to be quite complex and have many ramifications.

I would think at this time it would be somewhat presumptuous of me to attempt to address that in detail.

Senator EXON. Are you familiar—have you had a chance to become familiar with some of the difficulties that our international airlines are having today with what appears to be, at least, unreasonable and restrictive landing fees that American airlines are charged in several foreign countries as opposed to our being much more receptive to foreign airlines coming to the United States? Are you familiar with that?

Mr. MCCOY. Not particularly, just in a cursory way. It would seem that there are certain inequities placed on various carriers on an unequal basis in many of the foreign areas. And again, I think that's something that can and will be addressed in furtherance of the tourism policy.

Senator EXON. I think we have to recognize the excellent tourism facilities that we have internally in the United States, people traveling from one place to another to visit points of interest and of beauty in the United States.

Equally important, of course, is the fact that we need to attract more foreign tourist dollars into the United States. I would hope that as you get your feet on the ground, assuming that you will be confirmed as I predict you will be, you will call in the private sector, particularly those who furnish transportation—the airlines, the bus companies, the Amtrak people, anybody that has any kind of transportation for moving people from here to there and then see if you can dovetail those efforts with the rather extensive efforts that the international airlines carry forth to attract people to come here.

I think there's so much that we can do, and I suspect that there is no segment of our society in which we are as likely to see a rather dramatic increase in total gross dollar volume, as the tourism industry.

Certainly, I hope that you're aware of the fact that certain of our more prominent tourism States today are seeing a rather substantial downturn. I suspect that's a part of the recession that we're now experiencing, but I just hope that you will see fit to use the National Tourism Policy Act as a weapon in your hands, if you will, as the administrator, to get our total act together, because I think we can do much better than we've done in the past.

I would also suggest that you consider the possibility of working very closely with the States in their individual efforts. I'm not sure at this time how much has been done in this area. I know some has, but as I see the position that you're taking, it's one as a promoter, one as an organizer, one who appreciates the rather important role that the President of the United States has cast you in with your nomination.

I have no further questions.

Senator EXON. We will recess now subject to the call of the Chair. No further questions on this side, as far as we know.

We understand that the chairman will be coming over shortly, so we will recess at this time, and we expect Senator Pressler here momentarily.

Thank you.

[Recess.]

OPENING STATEMENT BY SENATOR PRESSLER

Senator PRESSLER [presiding]. At long last, the committee will come to order. I am very sorry for this delay. We have a filibuster underway on the Senate floor, and in order to protect one's rights on certain bills, you have to be there until your matter is dealt with, or it's forever lost.

Let me begin by welcoming to this committee Peter McCoy, who has already been introduced by Senator Laxalt—and my other colleagues have spoken to me on the floor, Senator Exon and Senator Inouye, who have already spoken here. Let me say that I am very sorry for this delay, but we have school prayer on the floor now. So Bob Dole says we will soon be voting on prayer in used buses.

But in any event, we have every type of amendment on the floor this afternoon. But we will complete this hearing today. I want to say how pleased I am that we were able to work this hearing into our schedule so late in the legislative year. As the sponsor of the National Tourism Policy Act which created this position, I am anxious to get started with the work of the U.S. Travel and Tourism Administration as mandated by this act.

I would like to take a moment to discuss some of this year's activities by this Subcommittee on Business, Trade, and Tourism. 1981 was the maiden year for this Subcommittee, and I feel that its accomplishments were significant.

Our first action was the introduction and passage of S. 304, the National Tourism Policy Act, on January 27. This was a particularly satisfying beginning, since S. 304 was the first substantive bill passed by the Senate in this Congress. Let me say that I certainly do not take individual credit for that, because many persons, such as Senator Inouye and Senator Cannon, Senator Goldwater, and many Republicans and Democrats have worked on it in the previous Congress, and much of the groundwork was done. Although it was pocket vetoed by the previous administration, where it died without being signed, we have taken a broad view of trying to get more foreign tourists to the United States.

I come from the State of South Dakota, in which we have about 2 million tourists a year to come to see Mount Rushmore, the Black Hills, or the Badlands, or visited the Missouri River or some of our agricultural land, our rodeos, or other attractions in the State and even the Corn Palace in my former colleague, Senator McGovern's, home town. And this is in a State of 680,000 people, which means that tourism is our second largest industry after agriculture.

The point is it is not only our coastal areas; it's also inland States and the midlands, throughout the country, that tourism and travel is very important. I frequently have quoted Herman Kahn, "Tourism could be our largest industry by the end of this century." Let me say that I am glad that Herman Kahn could come and speak on some forthcoming oversight hearings regarding tourism.

Let me also say that I think this area of tourism is downgraded in the public's mind. If you make an accomplishment in manufacturing, agriculture, or trade it's thought to be a more substantive contribution to the economy than something in tourism is. Yet tourism is, by different measures, third or fourth largest in terms of our supply of foreign currency, and fourth or fifth in terms of total foreign trade if taken in that context. Part of a liberal education abroad is now thought to include a visit to the United States. Let me also say that our Indian reservations in the Midwest have been great tourism attractions—part of our national heritage and culture—as have been the State historical monuments and Federal historical monuments.

So in other words, the purpose of our subcommittee has been to upgrade tourism in the whole Federal establishment, not only in Congress, but also in the Department of Commerce.

It was with this in mind that we sponsored legislation to have an Under Secretary of Commerce, and hence, the arrival here today of Peter McCoy, the nominee for that post.

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But in addition, we must take a broad view not only of tourism and trade and business—we have held hearings in this subcommittee in New York City to investigate the problem of export barriers faced by small business. We have held hearings on the reauthorization of the International Investment Survey Act, and indeed, have repassed that, to look at what foreign investment in the United States is doing, where it's necessary, and perhaps where it is harmful.

We have held hearings on improving this country's international tourism promotion effort. Let me say that I hope that at some future time we can have on the international computer system a program for listing points of destination in the United States, not just the points of destinations that perhaps come most easily to mind, so that each State has a few points of destination listed so that this information will be available to foreign tour brokers and others.

We have introduced S. 1104 and S. 1105, bills to reauthorize the Interational Investment Survey Act and the U.S. Travel Service, respectively. These bills went forward and have been passed. We have held hearings on the nomination of Mr. Fred Bush to become Assistant Secretary of Commerce for Tourism, and used these hearings to highlight some of the issues that we feel in this important area. We should try to upgrade the importance of this in the Federal bureaucracy.

We have held hearings on the question of visitor facilitation; particularly we discussed the State Department's proposal to implement a selective visa waiver program, and we are continuing meetings with the Judiciary Committee to try to find ways that in those countries where we don't have problems we can have tourism without visas, the visa waiver program, because the present visa program is frequently backlogged, and it doesn't check up on any of the negative things that it is hoped it would prevent. In other words, it is not an effective program.

On September 29, the Senate approved the conference report on S. 304, the National Tourism Policy Act. The President signed the measure on October 16. We also held hearings on the Service Industries Development Act, which had been introduced on May 20. We have held hearings, and now passed to the full committee the Retail Dealers Agreement Act.

I mention these things because they are all tied together with things relating largely to business, trade, and tourism. They are a part of the realization in our society that we must trade internationally. We must compete for international trade as we have never done before. In the next 10 years, we are going to have to compete for foreign tourists and for foreign trade.

We also, in one of our hearings which brought up the differences in the way U.S. business is treated when it goes abroad and how foreign business is treated here. For example, in the insurance area, Japanese insurance companies require our companies to leave all their assets in the country, and many financial requirements that we do not reciprocate with. In terms of our international airlines, which are suffering greatly, some of our planes are charged $10,000 landing fees to land at foreign airports in areas where it is critical that we land, whereas a frequent charge on our

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part is $400 for a foreign carrier to land. We charge 16 to 18 percent interest to loan money to our carriers, which are privately owned, money from banks, whereas sometimes some of the foreign aid we give goes into World Bank loans to state-owned airlines at 6 and 7 percent.

In other words, we have got to act in reciprocity. I am certainly not for protectionism, but we have got to seek reciprocity. But in this area of tourism, it's an integral, key part of the whole picture, and it's so important that we have an Under Secretary of Commerce who speaks at that level, and speaks strongly for tourism.

We are pleased that the Reagan administration has shown the realization of the importance of travel and tourism. I think, I might add, that in 42 of our States, it's the No. 2 industry, and in two or three of our States it's the No. 1 industry. This is demonstrated by the acceptance of the National Tourism Policy Act as well as the nomination of Mr. Peter McCoy, a man who is respected and trusted by the administration.

I would also like to commend Assistant Secretary Frederick Bush, who has led the U.S. Travel Service through a difficult period this past year. He has shown both dedication and foresight in dealing with the administration and the travel and tourism industry. Having met both Mr. McCoy and Mr. Bush, I can say with assurance that we have two top-notch people guiding the activities of the U.S. Travel and Tourism Administration.

At this point, Mr. McCoy, if you have an opening statement—let me say that I have some things to put into the record here, which I will do in a few moments.

Mr. McCoy. Senator, I submitted that for the record, the opening statement.

Senator Pressler. Why don't you read your opening statement, so I can listen to it?

Mr. McCoy. President Reagan's administration recognizes the significant contribution that tourism makes toward economic prosperity, employment opportunities, economic development, increased business prospects, and an improved trade balance. President Reagan has been a strong supporter of tourism, and on October 16, 1981, signed Public Law 97-63, the National Tourism Policy Act, which establishes the U.S. Travel and Tourism Administration in the Commerce Department.

Secretary of Commerce Malcolm Baldrige has on several occasions expressed his support for a viable tourism program, and recently stated that the National Tourism Policy Act is the first major piece of tourism legislation enacted in 20 years.

The present administration is committed to developing a sound economic policy. An important part of this policy is to create employment opportunities and improve the U.S. balance of payments. A national tourism policy is important to enable this country to make more rational use of its tourism resources in helping to achieve these economic goals.

The general thrust of the National Tourism Policy Act of 1981, in concert with the International Travel Act of 1961, is to promote travel to the United States by residents of foreign countries in order to improve the U.S. balance of payments and to promote friendly understanding and goodwill among peoples of foreign

countries and of the United States. This policy direction is in concert with the President's economic and foreign policy as well as with the objectives of the travel industry. Now, we need to implement this policy, so the country can reap the benefits.

The fact that we have a new National Tourism Policy Act, however, does not guarantee the prosperity of the tourism industry. The implementation of the National Tourism Policy Act doesn't depend just on those of us who hold public office. What it does do is lay the foundation so that all of the various sectors have the opportunity to work together to achieve mutually beneficial tourism goals. Ultimately, the traveling public will benefit from our cooperative efforts to enhance the tourism product.

If I am confirmed, Mr. Chairman, my fundamental goal will be to carry out the intentions of the National Tourism Policy Act and the International Travel Act in concert with the President's economic program. I see my primary responsibility as optimizing the contribution of the tourism and recreation industries to economic prosperity, full employment, and the international balance of payments of the United States; as encouraging the free and welcome entry of individuals traveling to and from the United States; and eliminating unnecessary trade barriers to the United States tourism industry operating throughout the world.

I also have a responsibility to let others know how important tourism is to this country. The policymakers at all levels need to understand that tourism is a growth industry that provides economic benefits in terms of jobs and income to the State and local economies. It is a sound investment for the public and private sectors of our economy.

In closing, let me assure you that I see a very important role for the Federal Government to play in tourism. And the National Tourism Policy Act helps create an environment for tourism growth. That concludes my remarks. I will be happy to try and answer any questions that you might have.

Senator PRESSLER. Thank you very much. I assume that you will continue the Commerce Department's support for the State Department's selective visa waiver program. As Under Secretary of Commerce for Travel and Tourism, what steps will you take to press for adoption of this program?

Mr. MCCOY. We are in the process of transmitting comments to the Senate and House Judiciary Committees now. I think Assistant Secretary Bush has already testified before your subcommittee urging prompt and positive action on the bill. I hope to have H.R. 4514 placed on the agenda for the first meeting of the Tourism Policy Council. I do intend to communicate the Department's views on this policy to appropriate Members of Congress, and State and city tourism officials will be kept informed of the status of that legislation, also.

Senator PRESSLER. Has the Tourism and Travel Policy Board been appointed yet?

Mr. MCCOY. Not yet.

Senator PRESSLER. What is your plan?

Mr. MCCOY. I would hope to consider some of that right after the first of the year.

Senator PRESSLER. Assistant Secretary Bush has made strides in developing a cooperative relationship between the travel and tourism industry and the U.S. Travel and Tourism Administration. The subcommittee is hopeful that you will continue these efforts. Could you please describe some of the innovative approaches which the agency is involved in, as well as any additional ideas you might have?

Mr. MCCOY. Well, I think now the private sector funding and support for a number of promotional products, including the publication and distribution of brochures, maps, and promotional supplements. Looking for other ways, we have given it some thought, but have not mapped any definite plans in that regard, but do believe that a coordinated and unified approach to a "Visit U.S.A." promotion can be far more effective than several fragmented, independent efforts.

Senator PRESSLER. Are you able to give the subcommittee any indication of what we might expect to see in the fiscal 1983 budget for the U.S. Travel and Tourism Administration? And let me at this point emphasize something that I think hasn't been emphasized, and that is that we cut the travel and tourism budget from about $13 million to 7 or 8. That wasn't entirely my doing. That's about the lowest budget any nation has in this area. Some people say, well, with a new Under Secretary and so forth, you're getting more expenditures and more bureaucracy—but actually, we are getting less. What we're trying to do is bring it to a higher level to use what we have much more effectively, and thus needing less money, basically.

But I think it should be emphasized that the budget in this area is less than it was 2 years ago, or 1 year ago. It's been cut. And you will have to operate under a very tight budget.

But if you would, give us an indication of what you expect to see in the fiscal year 1983 budget for the U.S. Travel and Tourism Administration.

Mr. MCCOY. I would be consulting with the Department on the amount and content of the budget for 1983. I think at this time I am not at liberty to discuss that, until the President has really decided on his budget package and sent it up.

I can say, though, that—I want to give you my strongest assurances that I will fight for a budget which in my judgment is adequate and will enable us to perform our duties.

Senator PRESSLER. Would you expect to seek increases in that budget level? Have you thought about that, or have you had a chance to think about it?

Mr. MCCOY. I have thought about it. I really don't know if I could expect to see increases in it or not. I would certainly hope not to see decreases.

Senator PRESSLER. It's apparent from your recent history that you are well connected with the Reagan administration. Could you give us a description of what attitude the White House has shown toward the importance of travel and tourism for the economy of the United States? Also, assuming they feel it is important, how supportive do you think they will be of your initiatives in this area?

Mr. McCoy. The administration fully realizes the economic importance of travel and tourism as the United States encounters growing competition from other countries in the field. As our trade deficit grows, our best hope of achieving a better export position really is to increase our export of services.

I have discussed some of my ideas with my colleagues at the White House, and they have indicated that they would support the program.

Senator Pressler. The Senate Commerce Committee has traditionally been very supportive of the activities of the U.S. Travel and Tourism Administration. In this past year, we fought for what we felt was the highest possible budget figure for the agency. Unfortunately, the House of Representatives wanted a lower figure than the Senate, and now it appears that the USTTA might end up with something in the area of $7.6 million for 1982.

If this is the case, what effect will this have on your ability to effectively carry out your duties under the National Tourism Policy Act?

Mr. McCoy. As you know, the National Tourism Policy Act stipulates that appropriations in foreign countries not be less than the amount obligated in the year 1980. Considering that the impact really will fall on us here in Washington, we will undoubtedly have to institute some reduction in staff force.

Senator Pressler. What about the overseas assignments? Will you be able to maintain those?

Mr. McCoy. Yes, sir.

Senator Pressler. How many of those are there at present?

Mr. McCoy. There are six of those offices.

Senator Pressler. Do you feel you're going to be able to maintain those? Of course, we had a resolution to that effect.

Mr. McCoy. That is correct.

Senator Pressler. As a Senator who represents primarily a rural State, I'm often asked about my involvement in tourism. People are always surprised to learn that tourism is South Dakota's second largest industry. This is true of many other States as well.

In light of the importance of tourism to rural and smaller town areas, what initiatives might you have to result in an increase in the number of foreign visitors to smaller town and rural areas?

Mr. McCoy. Certainly we will continue to familiarize foreign travel agents and tour operators, writers with, if you will, the behind gateway attractions and encourage the States to participate with us in trade shows and travel marts abroad, disseminate literature abroad which features U.S. attractions in both the rural and urban areas.

We're prepared to provide market planning advice to all members of the travel industry, including State travel directors.

Senator Pressler. At this time, I'd like to call on the minority, if there are any questions.

Mr. Hardy. No thank you. Earlier, Senator Inouye submitted questions.

Senator Pressler. There have been letters of support from the Travel Industry Association and Congressman Santini, which we will place in the record.

[The letters follow:]

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., December 9, 1981.

HON. BOB PACKWOOD,
Chairman, Senate Commerce Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR PACKWOOD: As your committee considers the nomination of Peter McCoy for Under Secretary of Commerce for Tourism, I would like to add my support to the President's selection.

Mr. McCoy's desire and willingness to accept the challenge, as well as his business experience and expertise, will certainly be assets to the position. Upon his confirmation I look forward to working with Mr. McCoy as he undertakes the task of implementing the recently enacted National Tourism Policy.

Thank you, Senator, for the opportunity to indicate my support of the President's nominee.

Sincerely yours,

JIM SANTINI,
Member of Congress.

TRAVEL INDUSTRY ASSOCIATION OF AMERICA,
Washington, D.C., December 10, 1981.

Hon. LARRY PRESSLER,
Chairman, Subcommittee on Business, Trade, and Tourism,
Washington, D.C.

DEAR MR. CHAIRMAN: On behalf of the Travel Industry Association of America (TIA) it is my pleasure to express our support for the nomination of Peter McCoy to the position of Undersecretary of Commerce for Travel and Tourism.

Inasmuch as you, more than anyone, know the time and effort TIA devoted to the passage of the National Tourism Policy Act, our interest in seeing this law quickly implemented is clearly apparent. We would like to make it clear, for the record, that we are extremely anxious to see the United States Travel and Tourism Administration begin taking the steps necessary to fulfill its mandate. Chief among these initial steps is the confirmation of Mr. McCoy. We are particularly enthusiastic about his nomination as we believe Peter McCoy is as anxious as we are to see that the mandate of the National Tourism Policy Act is carried out.

In talking with Mr. McCoy, we are confident that he will utilize the professional travel industry expertise and counsel available to him from within the private sector. We are gratified that he understands the importance of this and is eager to strengthen these relationships for the obvious benefit it will bring to a more effective federal tourism program. Only yesterday, the industry established a government affairs policy council which will, among other things, function as a liasion between the federal government and the industry itself. This council will be of assistance to Mr. McCoy and the United States Travel and Tourism Administration by providing industry input to this critical sector of the federal government.

We look forward to working closely with Mr. McCoy and his staff and we anticipate jointly mobilizing the industry to serve our national interests and the traveling consumer. Your favorable action on this appointment would be well received by the travel industry and we enthusiastically advocate Mr. McCoy's expeditious confirmation.

Sincerely,

WILLIAM D. TOOHEY,
President.

Senator PRESSLER. And we'll keep the record open for any other Senators who wish to submit a statement.

Senator Cannon wishes to submit a statement.

[The statement follows:]

STATEMENT OF HON. HOWARD W. CANNON, U.S. SENATOR FROM NEVADA

As one who participated in the deliberations which led to the enactment of the first piece of legislation which created a federal role for the promotion of international tourism—the international travel act of 1961—and in every subsequent effort to strengthen that role, I am particularly gratified by the hearings today.

It has taken us 20 years to recognize that the global importance of international tourism warrants, at least, an undersecretary of commerce to coordinate the federal role and represent the views of our government.

Viewed from the perspective of those 20 years, I realize we have come a long way. I also realize we still have a long way to go.

Despite the solid record of achievement made by the United States travel service, there are still many skeptics in Washington who believe the federal government has no role in tourism promotion. Until they are convinced othewise, those of us in Congress who know better will continue to have an up-hill battle.

The national tourism policy act gives the undersecretary and his agency broader responsibility, and therefore an opportunity to make the government role more effective.

For the first time, the United States has enacted into law a specific national tourism policy. This means that the 50 or more federal agencies which administer over 100 tourism related programs can no longer ignore or overlook the national interest in tourism when they develop policies and programs.

It also means they must coordinate their programs, and eliminate contradictions where they exist.

The new law also has the potential for an improved and expanded promotional role to assist the private sector of the travel industry.

The undersecretary will, of course, be the one chiefly responsible for seeing that the new legislation achieves the results we intended.

It will be a difficult task, but a worthwhile one, and I look forward to hearing Mr. McCoy's views.

Senator PRESSLER. We wish you well in your new job. Of course, you're not approved yet as you must be approved by the Senate as a whole. But with the rush of activities here, I'm going to do everything I can to get it to the floor and get it voted on before the end of the session.

Let me say that you are the first Under Secretary of Commerce for Tourism, essentially, and this is legislation that I sponsored, so I have a special interest in it, so to speak, and your performance will obviously determine whether we continue this program.

But it's extremely important in terms of the economy of our country at this time, in a time of budgetary deficits and trying to find, as we call it nowadays, revenue enhancement rather than taxes. But it's really critical to our balance of trade and our balance of payments.

In fact, one of the three or four areas that we have the best hope of making money for the United States is in this area. It's a key economic thing. In the 1950's, 1960's, and 1970's, we were rich enough that we could afford to let some of these things just happen, if they were going to happen. If they didn't happen, we could live without them. But we've reached a point in our Nation's history where we've got to learn international trade and learn international tourism and compete in those areas as other countries have done.

That's going to take some adjustments for us, and certainly you're going to be at the cutting edge of that. And we're counting on you, and I'm very, very confident that you will do very well.

I note that you come from the White House where you worked for Mrs. Reagan. We did send a letter to her; we routinely do. We haven't heard back from her yet, but I'm sure she'll respond favorably before it comes to the Senate floor. I don't know where this stands. Maybe she didn't even get it yet. Maybe it's stuck in the mails.

But unless someone has some more questions, I'm going to conclude this hearing.

But first let me state when our next hearing on the overview will be. February 3 we're going to hold hearings on the overview of how much impact tourism has on the economy. We're going to try to highlight in our States how important it is for many of our States. That's also domestic tourism; I'm talking about international tourism but also domestic.

Today I was talking to Alan Simpson of Wyoming, and they have 250,000 visitors a year to the Cody Western Art Museum, which is just an incredibly high number of visitors.

But we're going to look at both the State and national impact of tourism and travel as well as the international impact, and we're going to look at the long-range view to see what the rest of this century holds in this area. And we'll certainly want you as one of our witnesses.

We also plan to hold some field hearings on a limited basis. They have not been scheduled. But perhaps one of those hearings will be in South Dakota. But wherever, we hope to hear from you often. We're going to poll you out of this committee as soon as possible. That means that we vote by paper ballot, as Senators are almost impossible to gather together in these last few days, as everyone is protecting their interests in various places. But we shall poll you out. Then we'll follow the 1-day rule in which will either get waived or get it down somehow, but we'll get you confirmed so that we'll have an Under Secretary and we can go home for the Christmas vacation knowing that the Under Secretary of Commerce for Trade and Tourism is on the job working.

Mr. McCoy. Thank you, Senator.

Senator Pressler. With that, I will conclude this hearing.

Thank you very much.

[Whereupon, at 4:05 p.m., the hearing was adjourned.]

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